

IG 1 IT PROGRAMS AT RISK:

2 IS IT TOO LATE TO SAVE \$12 BILLION?

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4 THURSDAY, SEPTEMBER 7, 2006

5 United States Senate,
6 Subcommittee on Federal Financial Management, Government
7 Information, and International Security,
8 Committee on Homeland Security and Governmental Affairs,
9 Washington, D.C.

10 The Subcommittee met, pursuant to notice, at 9:34 a.m.,
11 in Room 342, Dirksen Senate Office Building, Hon. Tom
12 Coburn, Chairman of the Subcommittee, presiding.

13 Present: Senators Coburn, Carper, and Lautenberg.

14 OPENING STATEMENT OF CHAIRMAN COBURN

15 Chairman Coburn. Good morning. The Subcommittee on
16 Federal Financial Management will come to order.

17 We are having a hearing today on IP projects of the
18 Federal Government. I have an opening statement, which I
19 will not read. I will place it into the record and a copy
20 will be given to each of you.

21 This year, we are going to spend \$64 billion on IT in
22 the Federal Government. That is \$15,000 per Federal
23 employee per year. When we went to the private sector, we
24 saw very few industries who spend that amount of money per
25 employee on IT. There are some, but very few. The ratio is

1 significant.

2 A couple of things that we are looking at, this first
3 poster shows what the budget is for IT, the watch list, and
4 the percentage of the IT budget for Management Watch List
5 projects. You can see for the 2007 budget, it looks like
6 only \$9.9 billion. Some of the things we will raise today
7 is whether or not that \$9.9 billion is accurate. We have
8 some major concerns that that may not be accurate, although
9 I would defer until we hear the actual testimony.

10 The concern is spending \$64 billion, first of all, are
11 we getting our money's worth for it? Number two, I have
12 some real problems with the Exhibit 300 process, and the
13 problems that I see with that is it seems to me that many of
14 the Exhibit 300s are not written by the agencies but rather
15 by the contractors to get the approval in the first place,
16 which I think is a large conflict of interest for the
17 agencies. The contractors should not be writing those. In
18 fact, the agency should be writing them if, in fact, they
19 think they need these IT projects.

20 The second poster that is up there on the Management
21 Watch List 2007, in terms of the percentage of projects that
22 are on there, from 857 projects that are proposed in 2007,
23 263 of these are on that. That doesn't necessarily mean
24 there is a financial problem, but there may be a management
25 or execution problem that is vital to the country, and I

1 think to have 31 percent of the projects, we are worrying
2 about them, says a whole lot about some of our IT
3 management.

4 I do want to compliment OMB on their working with us.
5 It is really great to have an agency that will communicate
6 with you, be fair and open and honest, and is trying to do
7 the right things to right our Government in terms of
8 spending our deficits and getting good management tools in
9 place, and I have been impressed with the quality and the
10 openness with which our staffs and Mr. Portman has been
11 available to us and his staff.

12 The final poster, if you would put it up, Liz, shows
13 performance shortfalls and how they break down and the
14 number of IT projects with performance shortfalls. That
15 number is actually on the rise, which gives me great
16 concern. If you look at unclear baselines, you see what was
17 happening in September and December and March of 2006. If
18 you look at cost and schedule variance exceeding ten
19 percent, you see that number is on the rise, where you have
20 25 percent of the projects, the cost and scheduling variance
21 is greater than ten percent.

22 And probably even more troublesome is that the project
23 managers for the projects are not qualified to be running
24 the managements, which may be one of the reasons why we are
25 seeing the costs and scheduling and the unclear baselines.

1 And then, finally, duplication of projects, which is also
2 concerning.

3 The key point that I want to get across with this
4 hearing is just to get a better understanding of where we
5 are on IT. Can we save money?

6 The final point that I would make is the ability for us
7 to look at and manage IT, I believe needs to be streamlined
8 somewhat, and with that needs to come not cost-plus
9 contracts, but the idea that if we have a clear goal in mind
10 of what we want to accomplish, there, in fact, ought to be
11 quotes out there for people to accomplish the goal without
12 cost overruns, without more money, without more time, and
13 they ought to sign a contract and have to perform. I would
14 guarantee you, not very many businesses allow open-ended
15 cost-plus contracts on IT. They get a quote, they have it
16 competitively bid, there is a contract signed, and the
17 requirements are met in the contract and if they are not
18 met, they are enforced in a court of law. The idea that we
19 have contracts that aren't performing or are over cost tells
20 us that some of our problems are in our contracting to begin
21 with.

22 So the whole goal is to look at this, to see what we
23 can do. It is not to point fingers. It is not to say--I
24 believe the efforts to get this under control are underway
25 at OMB and I want to compliment them on that. I want to

1 thank the GAO, as well, for being here and for their work on
2 this, because I think it is important, and it is a large
3 segment. Sixty-four-billion dollars a year spent on IT is a
4 lot of money and we ought to be getting \$64 billion worth of
5 value for it and we need to make sure that we continue to do
6 that in years forward.

7 Again, I would compliment the President's agenda in
8 terms of management agenda, what he has put in in a lot of
9 areas. I know it is slow to come, but we are seeing
10 progress and I think that is great. But oversight is about
11 looking at it and making sure the pressure is there to
12 continue to do the same thing.

13 [The prepared statement of Chairman Coburn follows:]

1 Chairman Coburn. Senator Carper will be here in a
2 moment. He is on the floor. I would like to recognize
3 Senator Lautenberg at this time.

4 OPENING STATEMENT OF SENATOR LAUTENBERG

5 Senator Lautenberg. Thanks, Mr. Chairman. This is an
6 especially meaningful review because, as you noted, \$64
7 billion being spent on IT, information technology, is about
8 \$25,000 per Federal employee. That is a huge sum of money.
9 Federal agencies from the Defense Department to the
10 Department of Veterans' Affairs are funding IT projects that
11 don't meet clear baselines and don't maintain their cost
12 projections, don't stick to schedule and don't seem to have
13 qualified project managers.

14 Now, I have been in the business world and in the IT
15 world. I started a company called Automatic Data
16 Processing, ADP as it is commonly known, a company that
17 employed IT at its very earliest developmental stages. That
18 company now processes one out of six paychecks given to
19 employees throughout the country. We could never have
20 succeeded if we had managed our technology as does the
21 Government.

22 It seems it is very hard to get a handle around
23 projects that we do in Government. Mr. Chairman, I remember
24 days on several occasions--I was very active on the
25 Transportation Subcommittee in my former iteration and we

1 started out with projects with the best companies, you name
2 it, the computer companies, and none of them succeeded
3 because of magnitude of the project was never really
4 understood, and these things have to be done, in my view,
5 modularly to make sure that you have appropriate benchmarks
6 to guide yourself by, guide your progress by, and not expect
7 to be able to solve major problems in a single setting.

8 So when we look at the \$12 billion that could be wasted
9 by poor planning, poor management and planning, just think,
10 it could provide health care coverage for 85 percent of the
11 children in America. It could send more than two million
12 bright young Americans to universities. So wasting that
13 kind of money is a disgrace. It is unacceptable. We are
14 working hard to make our dollars go further and the last
15 thing we ought to do is be throwing them away casually. To
16 avoid this, we have got to hold people and Government
17 agencies accountable.

18 Mr. Chairman, thanks again. This is consistent with
19 your view of how we ought to manage Government, and I agree
20 totally, so we will hear from the witnesses and go on.

21 Chairman Coburn. Thank you.

22 Let me introduce, if I may, Ms. Karen Evans. She is
23 the Administrator for E-Government and Information
24 Technology at OMB. Previously, she served at the Department
25 of Justice as an Assistant Director for Information Services

1 and then as Division Director for Information System
2 Management. Prior to that, she was Deputy Director for the
3 Applications Management Division at the Department of
4 Agriculture. She has an MBA from West Virginia University.

5 I would also like to introduce Mr. David Powner. He is
6 the Director for Information Technology Management Issues at
7 the Government Accountability Office. He has been with GAO
8 for 14 years. After ten years at GAO, though, Mr. Powner
9 took a break and worked in the private sector for four years
10 in the telecommunications industry. He has now been back at
11 GAO for four years and brings with him a depth of knowledge
12 about both private and Federal IT management.

13 I would like to recognize you both. You can take the
14 amount of time that you need to take in terms of your
15 opening statements. Senator Carper will arrive somewhere
16 between your opening statements and we will allow him to
17 make a statement at that time.

18 Ms. Evans?

1 TESTIMONY OF KAREN EVANS, ADMINISTRATOR FOR
2 ELECTRONIC GOVERNMENT AND INFORMATION TECHNOLOGY,
3 U.S. OFFICE OF MANAGEMENT AND BUDGET

4 Ms. Evans. Good morning, Mr. Chairman and members of
5 the Committee. My remarks today will focus on the
6 administration's strategy and progress in planning,
7 managing, and measuring the results of the Federal
8 Government's information technology investments.

9 The President has proposed to spend roughly \$64 billion
10 in fiscal year 2007 for information technology and
11 associated support services to support the multiple and
12 wide-ranging missions of the Federal Government. When
13 performing appropriately, these IT investments help improve
14 the ability of the Government's programs and operations to
15 more effectively deliver services, products, and information
16 to State, local, and Tribal Governments, industry, nonprofit
17 organizations, and the American people.

18 In particular, you have requested a discussion about
19 two specific tools we use throughout the year to manage
20 information technology investments, the Management Watch
21 List and our high-risk list of projects. I plan to discuss
22 our overall process for managing investments given our tools
23 and how OMB executes its responsibilities using various
24 methods, such as reviewing agencies' annual budget
25 submissions, engaging with agencies throughout the year on

1 issues such as the E-Government scorecard of the President's
2 Management Agenda, and monitoring specific projects of
3 interest to OMB, what we call the high-risk list projects.

4 OMB reviews and evaluates the business cases as part of
5 our overall evaluation of an entire agency budget
6 submission. Business cases are primarily planning documents
7 and do not reflect the actual project performance.
8 Performance information is obtained through other means that
9 I will describe later. It is important to note, though,
10 that OMB is not the only intended audience for the business
11 case. The primary audiences should be and are the agency
12 officials and their investment review boards. These
13 managers should use the business cases to effectively manage
14 their own IT portfolios and to submit to OMB only those
15 investment requests that meet the criteria specified in law,
16 OMB policies, and supporting the priorities of the
17 administration. For the fiscal year 2008 budget cycle,
18 agencies will be required to post on their agency website
19 within two weeks of the release of the President's budget
20 these updated exhibits, which will reflect the final
21 Presidential decisions.

22 Business cases reflecting one or more planning
23 weaknesses are placed on what we call the Management Watch
24 List and they are targeted for follow-up and correction. We
25 continue to use the Management Watch List as one of the many

1 tools that we use to oversee planning activities for the
2 investments and to drive improved portfolio management. The
3 fiscal year 2007 budget, as you have pointed out, is
4 approximately \$64 billion for IT and associate support
5 services. There were--included in there is 857 business
6 cases of which the 263 were valued at \$9.9 billion not
7 meeting this criteria for success.

8 As of this hearing, I am pleased to report that this
9 year's list has now been reduced to 86 investments valued at
10 \$4.5 billion.

11 While over the past several years agencies have
12 improved the quality of their IT project planning and
13 justification, we have recognized the need to continue this
14 improvement throughout the life cycle into the execution
15 phase of the IT project. This time last year, we issued new
16 guidance specifically to assist the agencies in monitoring
17 and improving project planning and execution and the
18 implementation of earned value management for their IT
19 projects. The objective is to manage the risk associated
20 with an IT investment or project to achieve the intended
21 outcomes. Each quarter, agencies evaluate and report to us
22 on the performance of these high-risk projects.

23 These projects are high risk, not at risk, thus the
24 definition of high risk. These projects require special
25 attention from the highest levels of agency management and

1 oversight authorities, including OMB, agencies' Inspectors
2 General, and GAO. For an example, a project could be
3 classified as high risk because of the exceptionally high
4 cost, and even if this project is performing well, we would
5 still ask and classify it as a high-risk project.

6 The goal is for the oversight authorities and agency
7 management to have data on how these projects are performing
8 at least quarterly to better ensure improved execution and
9 performance. Agency managers and oversight authorities
10 should know within 90 days, if not sooner, if a project is
11 not performing well. The goal is to manage project risk and
12 avoid problems or catch them early enough, should they
13 occur, before the taxpayers' dollars are wasted.

14 It is also important to note that this policy is
15 designed to supplement and complement our existing oversight
16 and agency internal processes, not to replace them. This
17 policy is separate and apart from the Management Watch List
18 and discusses and presents to oversight authorities
19 information differing in focus, timing, and expected
20 results.

21 OMB oversees the agencies' activities under the
22 President's Management Agenda and its associated quarterly
23 reporting process. Each quarter, agencies receive a
24 scorecard about their progress and status in achieving the
25 Government-wide goals. We deliberately include a criterion

1 for acceptable business cases to underscore it is at the
2 core of an essential management practice and issue. The
3 acceptability of business cases is just one of the number of
4 critical components agencies must satisfy to get green or
5 yellow on the scorecard. If the business case criteria are
6 not successfully met, agencies do not move forward,
7 regardless of their performance on other elements of the
8 scorecard.

9 Additionally, our oversight of agencies' investment
10 requests over the past two years have identified widespread
11 weaknesses in agencies' abilities to meet cost, schedule,
12 and performance goals. Therefore, we now emphasize earned
13 value management as a key feature of the quarterly
14 scorecard.

15 And finally, the recent GAO report revealed questions
16 about the validity of the agencies' information in the
17 Exhibit 300 submitted to OMB. We are working with each of
18 the agencies to correct these problems and to ensure that
19 they do not occur in the future.

20 We do have many examples of success, two of which I
21 included in my written statement, and there are more. Each
22 year in OMB's report to Congress on the implementation of
23 the E-Government Act, we include we include one example of
24 the success stories from the agencies. The agencies include
25 more information in their own annual E-Government reports

1 and publish them on their websites. However, we do need to
2 continue improvement and build upon these successes to
3 ensure that we do not waste the taxpayers' dollars with
4 duplicative investments or unsuccessful IT projects.

5 I thank you for this opportunity to discuss the
6 administration's strategy and we look forward to continue to
7 work with the agencies and with Congress for new
8 opportunities to refine our oversight and improve the
9 execution of our projects.

10 Chairman Coburn. Thank you, Ms. Evans.

11 [The prepared statement of Ms. Evans follows:]

1 Chairman Coburn. Mr. Powner?

1 TESTIMONY OF DAVID A. POWNER, DIRECTOR,
2 INFORMATION TECHNOLOGY MANAGEMENT ISSUES, U.S.
3 GOVERNMENT ACCOUNTABILITY OFFICE

4 Mr. Powner. Dr. Coburn, Ranking Member Carper, Senator
5 Lautenberg, we appreciate the opportunity to testify on
6 poorly planned and performing IT projects across the Federal
7 Government.

8 In fiscal year 2007, the Federal Government plans to
9 spend nearly \$65 billion on information technology. Agency
10 CIOs are accountable for ensuring their agency investments
11 are appropriately selected, meaning they are tied to mission
12 improvements and appropriately overseen, meaning that
13 progress is monitored through proven performance measures
14 and corrective actions taken when needed. GAO's reports and
15 others have highlighted that there is much room for
16 improvement in these areas. Given this, OMB's statutory
17 responsibility, to establish processes to analyze, track,
18 and evaluate the risks and results of major capital IT
19 investments, is critical.

20 To its credit, OMB has established several processes
21 and criteria to improve the management of Federal IT
22 projects, including the E-Gov scorecard associated with the
23 President's Management Agenda, the Management Watch List
24 that identifies poorly-planned projects, and high-risk
25 projects that identify poorly performing projects.

1 This morning, I will summarize three key points.

2 First, agencies and OMB annually identify hundreds of IT
3 projects representing billions of dollars that are poorly
4 planned or performing. Second, our work has shown that the
5 number of troubled projects is likely even higher. And
6 third, opportunities exist to oversee these projects better.

7 First, over 300 projects totaling more than \$12 billion
8 in estimated IT expenditures have been identified on OMB's
9 Management Watch List or as a high-risk project with
10 performance issues. Specifically, in the President's
11 budget, OMB reported that 263 projects representing about
12 \$10 billion is on the Management Watch List. Today, OMB is
13 reporting that this number is now 86 projects totaling \$4.5
14 billion, still significant.

15 In addition, agencies reported that 79 high-risk
16 projects collectively totaling more than \$2 billion had
17 performance shortfalls. Highlighting these projects with
18 shortfalls creates tremendous opportunities to correct
19 deficiencies in these investments that comprise a
20 significant portion of the Federal IT budget.

21 Our work has shown that the number of projects is
22 likely even higher. OMB derives projects on its Management
23 Watch List based on a detailed review of IT budget
24 justifications, called Exhibit 300s. Our evaluation of 300s
25 showed that the information reported in them is not always

1 accurate or reliable. This is not surprising, since there
2 is pressure to overstate budget justifications so that
3 investments can make the selection cut and to keep them off
4 of OMB's oversight radar. Ensuring reliability of
5 information in the Exhibit 300s is essential for many
6 reasons, including an accurate Management Watch List.

7 For the high-risk projects, we found that agencies do
8 not always consistently apply OMB's criteria for identifying
9 these projects. For example, we found projects that we have
10 reported on and testified on that have clearly met OMB's
11 criteria that were not listed. These included key census
12 system and environmental satellite acquisitions that are
13 both laden with risks.

14 In addition, the chart in my written statement that
15 lists the number of poorly-performing projects by agencies
16 raises many questions. For instance, how can DOD only have
17 five performing projects when they comprise \$30 billion of
18 the 64? In addition, NASA reported no projects.

19 In addition to improving how these projects are
20 identified, improvements are also needed in how these
21 deficiencies are followed up on, tracked to resolution, and
22 reported. OMB does not aggregate either list. We have
23 never seen the complete list of Management Watch List
24 projects, as OMB keeps this information in-house. In
25 addition, we have found the processes of following up on the

1 watch list projects to be ad hoc and are concerned that this
2 may leave unattended weak projects consuming significant
3 budget dollars. Contrary, the high-risk projects are
4 available for IGs and GAO and their follow-up is transparent
5 through a quarterly reporting process.

6 To take full advantage of both lists, we recommended
7 that OMB aggregate each list so that Government-wide
8 analysis can be performed, resolution of deficiencies can be
9 tracked, and the list of specific projects can be shared
10 with the Congress to assist in the administration's
11 oversight. Until this occurs, OMB is missing an opportunity
12 to seek assistance in assuring that agencies address project
13 weaknesses.

14 In summary, OMB should be commended for its many
15 efforts to identify projects at risk and to raise the bar on
16 CIO accountability. But, Mr. Chairman, this bar has a ways
17 to go. First, OMB's oversight starts with accurate data
18 being reported to them. Data used to identify both watch
19 list and high-risk projects needs to be improved and OMB
20 needs to round out its oversight of these projects. Until
21 this is done, not all problem projects will be identified,
22 nor do we have assurance that follow-up on identified
23 problems is enough to keep billions of dollars from being
24 wasted.

25 This concludes my statement. I would be pleased to

1 respond to questions at this time.

2 Chairman Coburn. Thank you, Mr. Powner.

3 [The prepared statement of Mr. Powner follows:]

1 Chairman Coburn. Welcome, Senator Carper. Let me give
2 due credit to Senator Carper. The idea behind this hearing
3 is his and his interest in making sure we are efficient. I
4 am pleased that we are able to have this hearing. I also
5 would say that this won't be the only hearing on IT that
6 this Subcommittee will have. We are going to watch this.

7 Senator Carper, you are recognized for an opening
8 statement.

9 OPENING STATEMENT OF SENATOR CARPER

10 Senator Carper. Thanks so much. I apologize to our
11 witnesses for not arriving earlier. As I think the Chairman
12 knows, we begin every day in the U.S. Senate with an opening
13 prayer and oftentimes the prayer is given by the Senate
14 Chaplain, Barry Black. Occasionally, we have a guest who
15 presents the opening prayer and today that person was from
16 Delaware, the leader of our Greek-American community, and I
17 wanted to be there to welcome him, so I missed,
18 unfortunately, all of your statement, Ms. Evans, and part of
19 yours, Mr. Powner.

20 I am grateful to the Chairman for agreeing to schedule
21 the hearing and I am thankful to my own staff and to our
22 majority staff for working with us to make it a good one.

23 There is a lot of money involved in these projects. As
24 the Chairman noted, no one is more committed in the Senate
25 than he is to finding ways to bring down our budget deficit

1 and reestablish some fiscal sanity around here, and we can't
2 ignore the potential savings that we can accrue by putting
3 in place solid, sound IT projects. That is good to the
4 extent that there are those that are running off the track
5 and we can identify those and try to get them back on track.
6 That is critically important, as well.

7 I remember from my own experience in my old job, my
8 last job as Governor, the money that we spent and money that
9 we invested in IT projects of all kinds. Some of them were
10 able to enable us to save a lot of money, and frankly, some
11 of them cost a bundle and didn't, at the end of the day, we
12 didn't have as much to show for them that we wanted to.
13 They are not easy to do well, and frankly, the oversight in
14 some cases, at least in our case, wasn't what I would have
15 liked.

16 I am grateful to our friends from GAO for trying to
17 help us in our oversight missions to make sure that to the
18 extent that we can, we play the appropriate watchdog role,
19 not just being critical but being constructive, asking the
20 right questions as we go forward.

21 I have a statement that I would like to enter for the
22 record, Mr. Chairman. I am grateful that we are here. This
23 is good stuff. Thank you.

24 Chairman Coburn. Without objection, your statement as
25 well as mine will be entered.

1 [The prepared statement of Senator Carper follows:]

1 Chairman Coburn. I am going to start off our
2 questioning. I want to try to get an understanding of
3 process a little bit. We have an Exhibit 300. This is a
4 justification for a project, is that correct?

5 Ms. Evans. It is a justification for an investment.

6 Chairman Coburn. For an investment in IT--

7 Ms. Evans. Yes, sir.

8 Chairman Coburn. --to save money?

9 Ms. Evans. Well, not necessarily to save money, as
10 well. It is a justification in order to meet a business
11 need or requirement.

12 Chairman Coburn. All right. And that is approved by
13 an agency Secretary and that is approved by a management
14 review board, is that correct?

15 Ms. Evans. Yes, sir. Within an agency, there is an
16 investment review board and then the CIO is to manage the
17 investment review process, and it is included in the project
18 and then gets submitted by the Secretary.

19 Chairman Coburn. So that happens. So how come we have
20 got a third of them that are poorly planned?

21 Ms. Evans. That is actually a really good question and
22 why we have been working on it since I have been in this
23 job, of going through and making sure that we have the
24 underlying management practices in place, that we really are
25 reviewing the investments, that you really are looking at

1 those to ensure that there is alignment between what you are
2 trying to do in a program and how the IT investment will
3 support that program, either through efficiencies or to get
4 the outcome to support a service.

5 Chairman Coburn. What I am trying to figure out is the
6 management review board, if we have nearly a third of them
7 poorly planned, somebody isn't doing their job right.

8 Ms. Evans. Yes, sir.

9 Chairman Coburn. So where does that lie? Does that
10 lie at the CIO level, the management review board, where
11 does that lie? If the whole purpose for the Exhibit 300 is
12 to give a justification for an investment for a project or
13 an advancement or greater ability for the Government to
14 function in some way or measure something or defend us and
15 we have that laid out and that gets approved and yet a third
16 of them are poorly planned, I thought that was the purpose
17 for the Exhibit 300, is to make sure they are planned
18 properly.

19 Ms. Evans. Yes, sir, and the way that the process is
20 set up and the way that we hold the agencies accountable is
21 through the scorecard process. So the Secretary is
22 ultimately held accountable for making the decisions of what
23 those IT investments should go forward to support the
24 administration's priorities and that agency's mission goals
25 to support the administration's priorities.

1 Chairman Coburn. So is it possible that the Exhibit
2 300s aren't accurate when they come through?

3 Ms. Evans. It is possible that the Exhibit 300s, based
4 on the skill levels of the people evaluating them at the
5 agency and the CIO who is explaining how this works, may
6 need improvement. And so I think that that is evident when
7 you look at the overall performance and how we have ranked
8 the agencies on scorecard, because if all agencies were
9 performing well, then we would have all agencies showing a
10 green progress and green status. We don't have that.

11 As you can see on the scorecard, if you have had an
12 opportunity to look at it, which I am sure you have, you can
13 see that we have agencies that are very red and we have
14 agencies that are having mixed results, a yellow score,
15 based on what they are doing, and then agencies who are
16 green. There are a few agencies that are green, and it
17 varies back and forth based on where we are in the year and
18 the products that we are evaluating from our oversight role
19 during the quarterly scorecard.

20 So I agree with you there are problems and we have
21 identified what they are and we work with the agencies to
22 strengthen where those weaknesses are within the agencies.

23 Chairman Coburn. When you look at these projects, do
24 you ever look at the projects by vendor?

25 Ms. Evans. No.

1 Chairman Coburn. Well, let me suggest that you do that
2 because, in fact, if we have a large number of
3 underperforming or poorly planned or high-risk but we are
4 not looking at it by vendor, we may, in fact, see a trend by
5 two or three vendors out of the ten or 20 or 50 that are
6 used that says these are constantly poor performing, or
7 these are constantly over cost or behind schedule. I think
8 that one of the analyses that OMB ought to do is look at it
9 by vendor and see if there is a pattern of poor performance.

10 The other question I have for you, what are the
11 consequences--Mr. Powner talked about inaccurate reporting--
12 what is the consequence for an agency for inaccurately
13 reporting?

14 Ms. Evans. In the fact that we identify that there are
15 weaknesses associated with a business case when it comes in.
16 We make an, and I am going to say we make an assumption that
17 people are not deliberately reporting erroneous data, that
18 what we need to do from an OMB perspective is identify what
19 appears to be the job or what is the issue within that
20 agency. Is it just within that particular investment or is
21 it a systemic problem throughout the agency?

22 For example, one thing that we have noticed across the
23 board, and you have highlighted it in your charts, is the
24 ability for agencies to put qualified project managers in
25 charge of individual projects as they go forward. We have

1 that as a systemic problem across the Government, not just
2 within an agency.

3 So if that is a weakness that is identified, what we
4 do, what I do through the CIO Council, is we come up with an
5 overall plan, which we have, to work with the agencies to
6 strengthen project managers, also come up with a common way
7 that agencies can evaluate the qualifications of the people
8 who they are putting in charge of projects so that we have a
9 consistent measure across the board, and then once that is
10 done, what we have worked now with the agencies over the
11 past year is each agency has a human capital plan for the
12 weaknesses of their workforce and they have specific
13 milestones that are now being measured through the Human
14 Capital Initiative on the President's Management Agenda for
15 them to either hire, recruit, or train and close those gaps
16 so that that, first and foremost, you know, first defense
17 there, is being met and that the agencies can then improve
18 that area to at least move forward in that particular piece
19 dealing with success.

20 As far as if they overall have a systemic problem and
21 we cannot remediate what we see as a weakness before the
22 fiscal year starts, then OMB does take action such as using
23 the tools that we have available, like Category B
24 apportionments, and so then that puts more restrictions on
25 the agencies to produce results instead of getting the

1 money, them being able to do what they want to do and then
2 us not having proper oversight.

3 Chairman Coburn. I don't want to question anybody's
4 motivation, but one of the tools of management is
5 consequences of not stepping up to the line. So whether
6 somebody inadvertently or intentionally is inaccurate in
7 their reporting, what I want to see developed, and I think
8 is a correct management technique, is there ought to be a
9 consequence and there ought to be a measurement goal of
10 whether or not they are performing accurately in terms of
11 reporting accurately.

12 Ms. Evans. I can tell you that, especially when I was
13 still at the agency at Department of Energy, the goals that
14 we have in the E-Government scorecard are directly reflected
15 and were directly reflected in my performance plan, which
16 then meant that my own individual performance plan as an SES
17 within the Government was that I had to meet those marks and
18 there were consequences. If I did not achieve that within
19 my own agency of what those requirements were, it was
20 reflected in my own performance, which then reflected my
21 ability to get a raise or a bonus or those types of
22 activities. That alignment is now there in many of the
23 CIOs' performance plans and they are now getting greater
24 alignment within their own agencies so that you can see how
25 people's performance is now dependent on each other.

1 We have also done that internally within my own staff.
2 So some of the weaknesses and some of the repeatable
3 processes that we are talking about that we need to improve
4 on ourselves, we have now--through the President's
5 Management Agenda, we are a beta site. So my own
6 performance plan is public so that you can see what the
7 goals are, but my staff's performance plans now align to
8 those goals so that they are now vested in the agency's
9 success, as well. So there is an individual consequence
10 back on all of us who are responsible for ensuring the
11 management of these initiatives.

12 Chairman Coburn. But the project still gets funded.

13 Ms. Evans. Sometimes the projects need to be funded,
14 and that is why we put them on the Management Watch List.
15 For example, when I first came into this job, one of the
16 investments that were on there was TRICARE For Life. That
17 was on the Management Watch List. They needed to do certain
18 investments in order to upgrade and be able to improve
19 health care information. You are not going to not fund
20 things to support TRICARE For Life, but what you are going
21 to do is then put additional oversight and management into
22 that to ensure that--because this is now an area that we
23 need that is high risk, so we need to continue to watch that
24 to make sure that DOD had the right practices in place so
25 that they could achieve the outcome knowing that there was a

1 risk associated with it.

2 Chairman Coburn. I am going to go ten minutes, and we
3 will go ten minutes, if that is okay with you.

4 Senator Carper. Sure.

5 Chairman Coburn. I want to go back to something Mr.
6 Powner said, and it concerns me because the Defense
7 Department has \$30 billion out of the \$65 billion in IT.
8 The question I have is either their reporting is inaccurate--
9 --as a matter of fact, I know their reporting is inaccurate
10 because DTS, the Defense Travel System, isn't on anybody's
11 list and it is a mess and it has been a mess from the time
12 it started in terms of cost overruns and delays and
13 everything else. How is it--so there has to be inaccurate
14 reporting. This is going back to the point that my worry is
15 that we are underestimating what the risk is, and I think
16 GAO has testified to that. How is it that Defense can say,
17 and I don't know where I have it, but I have the list of all
18 the projects--

19 Ms. Evans. Right.

20 Chairman Coburn. --and they have very few on the high-
21 risk list and very few on the Management Watch List. How
22 can that be?

23 Ms. Evans. And I would put the responsibility back on
24 myself as far as clarity of the instructions and then
25 consistency across the board about how we need to work with

1 the agencies to be able to do that. So Defense is a good
2 example. So when we are looking at this--this is a new
3 policy that we put in place--there is a distinction between
4 what is on the Management Watch List and the high-risk
5 project list.

6 Chairman Coburn. Yes, I understand the difference.

7 Ms. Evans. But I would say that we need to bring
8 better clarity to the instructions on what should be on a
9 high-risk project. For example, we have all the 24 E-
10 Government initiatives on the high-risk project list that we
11 monitor through another mechanism. That is not included
12 because there isn't a direct Exhibit 300 to map a lot of
13 those to within each of the agencies. So--

14 Chairman Coburn. And why is that?

15 Ms. Evans. Because of the way that we allow certain
16 flexibility of how agencies would categorize a major capital
17 investment, and so that is why we make a distinction between
18 an actual project, because--

19 Chairman Coburn. And the investment--

20 Chairman Coburn. --and the capital investment. For
21 example, our policy says that all office automation and
22 infrastructure types of investments need to be on one
23 business case. So that would be things like
24 telecommunications, office automation, any of those types of
25 things, BlackBerrys, e-mail. You could have several major

1 projects included in that one investment, like what we are
2 currently doing now, the upgrade to IPB6. That is a
3 project, but that would only have one capital investment.
4 If you are upgrading your telecommunications to use new
5 technology like voice-over IP and consolidate phone systems,
6 that is only going to show up in one business case, one 300,
7 but that is a separate project. So that one particular
8 investment could have anywhere, at a minimum, like five
9 major projects underway. So that is why we have
10 distinguished between the two of them.

11 A lot of the E-Government initiatives, the dollar
12 threshold is really low because the total budget across the
13 board when we are collecting that, it averages about \$190
14 million all the way across the board for all agencies doing
15 all of their parts within 25 initiatives and six lines of
16 business. But it is the complexity of depending now on
17 interagencies to meet their part and the project planning
18 and the major milestones make that high-risk, because if one
19 person misses a milestone, the ripple effect is huge. So
20 that is why we distinguish those.

21 We have to go back to the agencies, giving the example
22 that you just gave, like DOD, and clarifying further to them
23 how they can use these tools and not necessarily drive
24 reporting underground so that they get on our list and then
25 we are looking at them, but encouraging them to use these

1 tools so that they can really manage it within their
2 agencies to achieve the results.

3 Chairman Coburn. My time is up. We will come back.

4 Senator Carper?

5 Senator Carper. Thanks, Mr. Chair.

6 In State Government, as in Federal Government, we use
7 information technology in similar initiatives to provide
8 better service. We use them to save money. We use them to,
9 in many cases, improve the performance but also the job
10 satisfaction of those that are working, whether it is in
11 State or the Federal Government. I like to say that
12 everything I do, everything that my team, my staff and I do,
13 we could do better, and I think the same is probably true in
14 every agency with whom you or each of you work.

15 I want to start off with just a real basic question so
16 I understand it. Now, the Chairman has delved into this,
17 and I am sure, Ms. Evans, you spoke to it in your testimony.
18 But I understood pretty well in State Government how we
19 identify initiatives to which we wanted to bring information
20 technology to bear. Just explain in a very basic way, how
21 do we identify--how agencies identify their own IT projects,
22 the screening process that they go through to have those
23 funded, and then, if you will, the process by which we
24 oversee, or OMB or someone oversees those projects to make
25 sure that we are getting our money's worth, projects end up

1 on the watch list. Just give me a good primer on this, if
2 you will.

3 Ms. Evans. What an agency should do, and when I was at
4 an agency myself, the way that we would do this based on the
5 policies that are existing within OMB and the laws, what you
6 are supposed to do is take a look at what are the agency's
7 business needs, and basic things like utilities, like
8 telecommunications, office automation, those types of
9 activities, you are supposed to go through, look at what is
10 the cost to operate those, if you are going to upgrade
11 those, it is a major system investment that you would then
12 take to what is called an investment review board. Some
13 agencies will have them divided into two areas, a technical
14 review board as well as an executive review board.

15 So the first threshold would be the technical review
16 board would say, okay, this meets all our requirements.
17 This has a good return on investment. It appears that it is
18 going to meet our agency needs. So it can meet that first
19 threshold of review.

20 When it goes to the second level of review, which is an
21 executive review board, they have to look at that across the
22 board of what dollars do we have available? What are we
23 trying to accomplish? What is the mission of the agency?
24 Does this support mission outcomes? If we invest this
25 dollar, will we achieve X, Y, and Z? And the business case

1 is supposed to be able to articulate that in a way and
2 summarize it in a way that senior executives can realize if
3 I invest this one dollar, I am going to achieve X results
4 for my mission. That is how you are supposed to do it.

5 And then at that point, you then tie it, and we ask it
6 to be very specifically tied to a program or to a business
7 outcome. Are there performance measures? How will you know
8 you will be successful? Is it just total efficiency because
9 I am going to reduce cycle time? Those types of activities.
10 That all is summarized in what we are calling the business
11 case, the Exhibit 300. Agencies--

12 Senator Carper. Back up. Say that last sentence
13 again, please.

14 Ms. Evans. Sure. They are supposed to review these
15 investments to ensure that they are tied to a business area,
16 that they are either tied to an efficiency measure, like
17 they are going to reduce cycle time within an agency--I am
18 not going to mail things out anymore, those types of things,
19 or actual program performance, that they have a measure that
20 they can show that if I invest a dollar, this is the outcome
21 that I should get. And that is what they are supposed to
22 include and justify within what we call an Exhibit 300.

23 Then what the CIO then does all throughout this process
24 is advise, make sure that it is aligned with everything that
25 they are doing IT-wise within the agency, information-wise,

1 make sure there are no duplications for the cost savings,
2 how you can maximize those things, and then they send them
3 over included in the overall budget because these are the
4 investments that are going to enable program results. And
5 then we--

6 Senator Carper. Let me interrupt.

7 Ms. Evans. Sure.

8 Senator Carper. When would that be taking place during
9 the year, right about now?

10 Ms. Evans. September. Yes, sir. We get them as part
11 of the regular budget submission, and so they are submitted
12 concurrently with the overall budget and then what my area
13 does is review and analyze those across the board to make
14 sure that they are supporting the program outcomes. So
15 there are very specific questions that we will ask, like we
16 will ask, are you supporting a program that has been PART-
17 ed? What are the measures associated with that?

18 And so we look at those and we analyze them across the
19 board. There are several criteria. There are several
20 areas, you know, acquisition strategy, project management,
21 all those things. We look at them through our lens. So an
22 agency may feel that they have done everything to the extent
23 possible to mitigate risk, that they have a qualified
24 project manager, that they have certified that project
25 manager, they have good performance measures, but then we

1 evaluate it and look at it and that is how they end up on
2 the Management Watch List. From that planning document, we
3 will say there appears to be weaknesses in the performance.

4 But we also use other information at that point,
5 because that is the same time that we get the annual cyber
6 security reports coming in from the IGs and the CIOs. So if
7 there is an overall problem in an agency, their ability to
8 manage and secure data that they are collecting, we also use
9 that information, because there is a piece within the
10 business case that talks about cyber security.

11 So there are several tools that we use when we evaluate
12 it and then determine that that planning project, that that
13 particular effort should be on a Management Watch List, and
14 then we integrate our processes into the internal OMB
15 processes that then the Director reviews and makes
16 recommendations to the President about what should be
17 included in the investments going forward.

18 That is a real short--

19 Senator Carper. For me, that was very helpful.

20 Ms. Evans. Okay.

21 Senator Carper. Maybe for no one else in the room, but
22 for me, that was helpful. Thank you.

23 Mr. Powner, let me turn to you, if I could. The title
24 of your testimony, full testimony, is "Information
25 Technology: Improvements Needed to More Accurately Identify

1 and Better Oversee Risky Projects Totaling Billions of
2 Dollars." Sort of reflecting back on what Ms. Evans has
3 just said and thinking of what you are trying to do in your
4 testimony, looking at the process that she outlined, what
5 are the strengths and weaknesses of that process?

6 Mr. Powner. First of all, if we start with the Federal
7 agencies, and back to Dr. Coburn, your question, too, where
8 you look at those processes that are in place associated
9 with these management review boards, our reviews of
10 individual agencies and Government-wide looking at basic
11 processes that are in place with these investment review
12 boards, do they select the investments appropriately? And
13 what this is all about is it is a racking and stacking of
14 business cases. You rack and stack them. You put them in
15 priority order and you say, here is where the budget runs
16 out and everyone else doesn't get funding and these projects
17 do. Now, there are a few nuances to that because of things
18 that are called for in law and that type of thing--

19 Senator Carper. Because of things that are called
20 what?

21 Mr. Powner. There are a few nuances that because of
22 requirements in law for certain projects need to be funded
23 and that type of thing, but overall, that is how it should
24 work, just the way Ms. Evans described it.

25 If you look at those processes at the agency level, we

1 found weaknesses across the board, okay. Sometimes the
2 investment review boards don't comprise the right
3 individuals. You can start there. The CIO should be
4 driving it. You ought to have the business owners of these
5 systems on the boards. We found investment boards that
6 don't have the appropriate makeup, they don't have the
7 appropriate processes, and I think agencies are improving
8 over time. I think OMB is doing a lot to improve those
9 processes. Our reviews highlight some of these things.

10 This goes back to requirements called for in the
11 Clinger-Cohen Act back in 1996, so this isn't new and these
12 processes aren't new, but there are weaknesses there. So
13 first of all, you have those weaknesses at the agency level.

14 And then when you look at, if you think about the
15 racking and stacking of these Exhibit 300s, of the business
16 cases, there is pressure to gain those business cases, to
17 overstate. What our review showed, we looked at 30 of these
18 in great detail at a number of agencies and they were
19 inaccurate, unreliable, and not supported by documentation
20 in a number of areas. So if you look at that, what do we do
21 about it?

22 I think OMB issued some new instructions where agencies
23 are going to publish on their websites these business cases.
24 That will help. That is a step in the right direction.
25 Another step in the right direction is within the agencies,

1 there are controls that can be put in place. In the private
2 sector, the same thing happened. Folks game their business
3 cases because they want to secure funding. What did we do?
4 We used internal audit to review business cases. Why not
5 use IGs to review a handful of business cases that would at
6 least put those project owners on their toes that it is
7 going to get looked at? You don't know which ones are going
8 to get reviewed, but you could look at a handful. There are
9 controls that you could put in place to improve this
10 process.

11 Senator Carper. My time is about to expire here on
12 this round. What I would like, and maybe I could do it now.
13 Mr. Chairman, could I ask Ms. Evans just to respond briefly
14 to the recommendations that Mr. Powner made right at the end
15 of his comments?

16 Ms. Evans. Actually, I wrote the recommendation down
17 because that is a great idea. We work a lot with--

18 Senator Carper. Just restate the recommendation and
19 then respond to it.

20 Ms. Evans. The recommendation is to use the Inspector
21 Generals within the agencies to go and do a random check of
22 the business cases to ensure quality. I think it is a
23 wonderful idea. We work with the IG community often. The
24 IG community is doing certain things for us right now. They
25 do it on the cyber security aspect for us so that we get

1 that independent review and I am willing to take that
2 recommendation back to the IGs and ask them specifically,
3 would they be willing to take that on.

4 They have taken on several things for us, like
5 validating savings where agencies have estimated what their
6 cost savings would be, and validate that type of
7 methodology. The high-risk policy projects, we also ask for
8 independent validation, and that is where we did open up
9 everything for IGs and GAO to request all that
10 documentation, as well. And I do think that several of
11 them, I know GAO has taken us up on that and they are
12 reviewing that information that the agencies should have
13 available and randomly look at to support whether it is
14 really reliable data.

15 Senator Carper. Let me, first of all, thank you for
16 the suggestion, Mr. Powner, and for the spirit that you
17 responded to it, Ms. Evans. I think it would be interesting
18 or be welcomed if you would just let us know what kind of
19 progress is made on this front. Thank you.

20 Chairman Coburn. Ms. Evans, are Exhibit 300s ever
21 rejected?

22 Ms. Evans. Yes, they are, but--

23 Chairman Coburn. What is the frequency of that?

24 Ms. Evans. From our perspective, it is very few
25 because of the checks and balances that we have put in

1 place, because what we really are doing at that point is
2 that we want the agencies to do that due diligence going
3 forward, so we really should not get failing business cases.

4 Chairman Coburn. But let us go back to the earlier
5 question. You get 30 percent of them, poor planning that we
6 have now--

7 Ms. Evans. Mm-hmm.

8 Chairman Coburn. --and we haven't rejected the Exhibit
9 300s. Something is wrong in between there.

10 Ms. Evans. Well, because those investments that do
11 come forward that we then release on the Management Watch
12 List are investments that are clearly aligned with the
13 President's priorities that we feel that we do need to go
14 forward with, but do extra due diligence on whatever the
15 gaps are that we have identified. But do we outright say no
16 to something? Yes, we have done that because it is not
17 either aligned with the President's priorities or agencies
18 will come back based on the guidance that we do through our
19 budget process and will withdraw them or cancel them.

20 Chairman Coburn. Based on what Mr. Powner said about
21 the boards not being constituted properly, some suggestion
22 that some of the firms are actually writing the Exhibit 300s
23 rather than the agencies, are you aware that that happens?

24 Ms. Evans. Sure. Absolutely. I mean, that is why--

25 Chairman Coburn. Do you not see that as a conflict of

1 interest?

2 Ms. Evans. I see--what I also see is that people view,
3 and this will support Mr. Powner's comments, that people
4 view that the Exhibit 300 is like the test, okay. This is
5 the test. If I turn in a good term paper, I am going to
6 become fully funded. So what you do is then--so we
7 recognize that maybe we were driving certain behavior so
8 that an industry is springing up that is writing business
9 cases. I mean, you see that. We run analysis, for example,
10 on a portfolio. This is because we get it all electronic.
11 I ran an analysis this past year. We did an analysis to see
12 exactly how many words changed in a business case because it
13 is electronic. So we can run it through and see how many
14 words actually changed. So knowing where the investments
15 are, for example, if they are steady state, then we should
16 see more things happening later in the life cycle on the
17 latter part of the business case. If they are in the first
18 part, then you would see big changes in what they have
19 completed in their acquisition strategy and where they are
20 now in execution.

21 Needless to say, what was happening was we had very few
22 business cases that there were absolutely no changes to, but
23 there are sections where, for example, in security where
24 nothing is changed but we knew they had a problem. So we
25 know that there is evidence of people just trying, well,

1 this passed last year so I will just resubmit it again this
2 year.

3 Chairman Coburn. So how do we fix that? How do we
4 incentivize behavior that is based on accuracy and better
5 outcome?

6 Ms. Evans. Well, the way that we did it, and we would
7 welcome any comments or additional suggestions that you
8 would have is that is why we released and really focused on
9 execution, because it is one thing to talk about what you
10 are going to do, but it is another thing to actually be able
11 to deliver results.

12 And so through our implementation and oversight of what
13 the agencies are doing through earned-value management,
14 which is really you are taking actual against planned, so
15 there are 32 different criteria in that--

16 Chairman Coburn. So it is measurement metrics?

17 Ms. Evans. --and there is measurement metrics in that
18 and it is very sensitive. And so when you start getting
19 those reports and you are looking at those, and I personally
20 read those. I mean, an agency does not get the checkmark to
21 move to green that they actually are managing ten percent of
22 cost schedule and performance until we--and we physically go
23 to the agency and we discuss with the agency managers,
24 because we know the same weakness that Mr. Powner has
25 brought up. Who is actually managing this? Are you just

1 producing reports because OMB has asked for reports or are
2 you really using this data to make management decisions?

3 And so it is one thing to get a really good planning
4 document. I mean, it is almost like you take a driver's
5 test. In West Virginia, you have to take a driver's test,
6 but then you actually have to drive before they give you the
7 license and it is a six months' difference. It is the same
8 type of logic that we apply here. You can get through the
9 first hurdle because you wrote a good term paper, but you
10 have to now apply that knowledge that you said you have and
11 produce results.

12 Chairman Coburn. Good analogy. The problem I have
13 with the way we are doing it is we are looking backwards
14 rather than incentivizing behavior going forward. I would
15 love for you all to think about, and maybe Mr. Powner think
16 about, how do we set the system a little differently where
17 we incentivize better behavior rather than have to look
18 back? What you are doing is auditing, right?

19 Ms. Evans. Mm-hmm.

20 Chairman Coburn. The fact that there is an audit and
21 an audit can be gamed and then you are using the final,
22 where is the performance. But how do we get it to where we
23 have to do less auditing and less control after the fact and
24 incentivize better in the beginning? I don't expect you to
25 answer that, but I think that is where we want to go with

1 this, because if we have management review boards that are
2 not constituted properly, how do we incentivize that to
3 change? In other words, not after the fact that we come
4 back and look at it--

5 Ms. Evans. Right.

6 Chairman Coburn. --but how do we get it right the
7 first time? From my business experience, it just wasn't
8 acceptable. What we are seeing in this is things that would
9 never be acceptable in a personally-run business or like
10 what Senator Lautenberg had. It just wouldn't be
11 acceptable, the degree of what we are seeing, and I know it
12 is tough to manage that.

13 Again, let me go back to the Exhibit 300. The whole
14 purpose for that is to put forward a plan that is based
15 accurately, that will be a proper investment, whether it be
16 through cost savings or accomplishing a goal. How do we
17 make that tool really be what it should be? Let me address
18 that to you, Mr. Powner. How do we make sure that every
19 Exhibit 300 is right, is accurate, to the best of the
20 ability it can be, with no question about motives, so that
21 we can make a good judgment on it? Everything after that,
22 once that goes through, it is all retrospective looking.

23 If you look at the Defense Travel System, or, for
24 example, another one that is not on the high-risk list is
25 the Census Bureau. I can't figure out how that isn't on the

1 high-risk list. That system is either gamed--I will reserve
2 my comment. There is no way it should not be on the high-
3 risk list.

4 Ms. Evans. Right.

5 Chairman Coburn. Senator Carper and I have sent a
6 letter to GAO today asking some very specific questions
7 about the Decennial Response Integration System, because I
8 think it is a disaster right now. The fact that it is not
9 on there tells us we have got a problem with the list.

10 Ms. Evans. Mm-hmm.

11 Chairman Coburn. How do we do that, Mr. Powner? How
12 do we make it more effective prospectively rather than have
13 to have the threat of a retrospective look?

14 Mr. Powner. A couple of comments. First of all, the
15 Exhibit 300, the intent is fine. I mean, it is the business
16 case. It puts in place some assurances that there are basic
17 project management capabilities there associated with this
18 investment or this project. So that is all well and good.
19 I think an opportunity to streamline that over time, so it
20 is not a writing exercise where contractors are filling
21 their pockets, that should probably be looked at.

22 But going back to one of your original questions, what
23 are the consequences of submitting an Exhibit 300 that is,
24 one, either inaccurate, or two, that shows that this project
25 isn't ready to go forward and spend money, there should be

1 real consequences. I think Ms. Evans pointed out some of
2 these projects, like TRICARE, we have to keep going forward
3 and we have to fund them and we have to try to fix them on
4 the fly. But they are not all TRICARE. Using the
5 apportionment process and withholding money, that matters,
6 and if we did that more, maybe folks would take it a bit
7 more serious.

8 Chairman Coburn. Okay. Ms. Evans, you mentioned in
9 your opening statement the decision to post Exhibit 300s, I
10 think is very good for transparency, and to allow us to
11 actually see those, I think will be very helpful.

12 I think also the fact that the Congress ought to be
13 aware of the high-risk list and ought to be aware of the
14 Management Watch List. It is our responsibility to oversee
15 that and I think we have pretty much had an agreement from
16 your boss that that is going to be made available to us. Is
17 that your understanding?

18 Ms. Evans. About the Management Watch List and the
19 high-risk list?

20 Chairman Coburn. Yes.

21 Ms. Evans. Yes, sir. What we will do is we will
22 provide the high-risk list that we have to you guys next
23 week.

24 The other thing that--what we would like to do, if it
25 is okay with you, and my boss, is on the Management Watch

1 List, what we do is we have a deadline on the scorecard of
2 June 30. So we receive them in September and we work
3 through the budget process with the agencies and then we
4 have a deadline on the scorecard of June 30 where they have
5 to remediate any of the weaknesses or have an adequate plan
6 that shows that they are going to remediate the weakness
7 that we have identified. If that hasn't happened by June
8 30, which obviously the date has passed now so we can make
9 the list available, we would like at that point to publish
10 what is remaining on the Management Watch List so that
11 Congress could then use that going forward in their own
12 decisions that they want to make through the appropriations
13 process.

14 Chairman Coburn. The problem with that is, hopefully,
15 most of the appropriations hearings and everything have
16 already happened by that time, and so the decisions to
17 really impact that will be a year and a half later. But we
18 will work with you on that.

19 Ms. Evans. Okay.

20 Chairman Coburn. It is the obligation of the U.S.
21 Congress to know what is not working right and to be able to
22 hold oversight hearings on specific cases when they are not
23 working right, so we can actually--you know, we can be a
24 tool for you. When it is not working right and we have that
25 agency here with that Exhibit 300, with that budget and say,

1 what went on here?

2 We, myself and Senator Carper, have every intent to do
3 that, is to help the rest of the agencies understand you are
4 not going to skid this thing. We want to fund you. We want
5 you to do what is right. We understand that your intent is
6 to do what is right. But when it doesn't work, we want to
7 hold you accountable and for us to have the correct
8 oversight and transparency, not just for us, but for the
9 American people.

10 Senator Carper and I have a bill that is going to go
11 through this week, which OMB is backing and we are very
12 thankful for, that is going to allow the American people to
13 know where the money went. All these contracts are going to
14 be known. Everybody in America is going to know who has got
15 the contracts, unless it is a national security issue. So
16 that is going to help.

17 But the point is, we need to do the specific oversight,
18 and if we can't know where the problem is because we can't
19 get the list of the problems from OMB, then we don't have
20 the ability to carry out our constitutional function, which
21 we consider very seriously on this Subcommittee.

22 Senator Carper, do you have additional questions?

23 Senator Carper. Yes, just a few, if I could. Again, I
24 think this would be probably a question for Mr. Powner. We
25 learned today that there are many problems with the

1 oversight of at-risk information technology projects. I am
2 just asking your opinion. How much in cost overruns do you
3 think we can expect to endure from the most at-risk
4 information technology projects that make up the \$7 billion
5 that we have heard about?

6 Mr. Powner. So to project how much the overrun would
7 likely be? I think that would be very difficult to do. I
8 think the--I mean, that is tough. We look at a lot of
9 individual projects. You know, there is one project we
10 looked at, Rescue 21, a Coast Guard communications system
11 that isn't on the high-risk list that overran \$300 million
12 in a very short period of time. That is very common.
13 Another project that was--

14 Senator Carper. The overrun was \$300 million?

15 Mr. Powner. Three-hundred million. There is a system
16 that we have been tracking for years, environmental
17 satellite system, a joint acquisition between DOD, NOAA, and
18 NASA called NPOESS. It basically provides weather
19 forecasting information. It is important for hurricane
20 tracking, very important going forward. I mean, that
21 project has gone over a three-year period from \$6 billion
22 life cycle cost to \$12 billion. Okay, that is not on the
23 list. So you could look at that.

24 Now, on an annual basis--

25 Senator Carper. Why not?

1 Mr. Powner. Well, that is one of our examples where we
2 think the high-risk list is understated. So those are two
3 examples that we pointed out in our reports, Rescue 21 at
4 the Coast Guard and NPOESS--

5 Senator Carper. Let me stop you for just a second and
6 just ask for something. Why do you suppose those are not on
7 the list?

8 Ms. Evans. And I agree with Mr. Powner that they
9 should be on the list. What agencies have a tendency to do,
10 and the way that we are measuring some of these things,
11 which sometimes--and I agree that we need to improve this--
12 is that agencies will have a tendency to rebaseline a
13 project or--

14 Senator Carper. When you say rebaseline, give me that
15 in plain English.

16 Ms. Evans. What they do is, for example, if GAO is
17 tracking the same project by a different name and it is
18 going on for ten years, agencies will have a tendency when a
19 project is deemed a failure or needs to be redone, will say,
20 okay, after five years, this project hasn't been successful.
21 So they will rebaseline it and--

22 Senator Carper. What is rebaseline?

23 Ms. Evans. They will zero it out and they will count
24 it as a sunk cost and they will give us a new Exhibit 300,
25 so it will show as something new. So an example would be--

1 so I am going to give you a quick example of how this would
2 work.

3 Senator Carper. Okay.

4 Ms. Evans. So we track by agencies, like number of
5 business cases that they will submit. So last year we saw a
6 big drop. You can see it right here. There was 1,087 major
7 investments that came in and it dropped to 857. That is a
8 big flag for me, going, what has happened here? Did people
9 actually finish projects and stop? Because the dollar
10 amount is the same. So something has happened in the way
11 that these agencies are putting together the investments and
12 putting together the business cases.

13 So I went through, we went through agency by agency.
14 So I have one specific agency--

15 Senator Carper. That is a lot to go through.

16 Ms. Evans. Yes, it is, but, I mean, that would be the
17 question that I would figure my boss would ask me. What is
18 the difference? What is the drop? Why do you see this
19 change? I mean, because we are collecting all these numbers
20 now, we should be able to analyze them.

21 So I looked at who were the biggest deviants that
22 happened here and we had one agency that in fiscal year
23 2006, they had 51 business cases. In fiscal year 2007, they
24 went to 34. So I sent them an e-mail. I mean, you should
25 be able to answer this question fairly quickly and say what

1 happened to the other 17. Are these--because when we look
2 at it, there are several of them that had brand new names.
3 But when you look at how the dollars are broken out, there
4 is development, modernization, enhancement, which is
5 supposed to be new dollars, and steady state, which is
6 supposed to be existing systems.

7 So I asked them, I said, what happened to these 17
8 business cases? You should be able to tell me. I want to
9 know by the end of the day, because that gets to your
10 contractor issue. You should be able to answer this
11 question if you are managing it. So the agency did come
12 back and say, okay, we have recategorized this. Twelve of
13 them went into what we have as the single business case for
14 office automation. Four are actually brand new. We
15 actually completed one, and so that is off the list, and we
16 structured. So that is the rebaselining. We restructured
17 four of those and we canceled one. So when you look at it,
18 they redistributed their portfolio in a way that they
19 thought that they could better manage it.

20 But we do go agency by agency to ask them what they are
21 doing with those so that you are not kind of flying under
22 the radar screen or that you are just doing certain things.
23 So in these particular cases, what will happen is GAO will
24 track it through the entire requirement. It could take 25
25 years on some of these things. What we are tracking is if

1 they ended and then they start a new one because they said
2 that they have done all of these different things, it
3 becomes a new investment for us. So there is a difference
4 between the way GAO is tracking them and the way that we get
5 the information from the agency.

6 Senator Carper. All right. Thank you.

7 Mr. Powner, I interrupted you in order to ask that
8 question of Ms. Evans. Do you want to pick up your train of
9 thought?

10 Mr. Powner. Well, just to round out, I think that is a
11 very important point that Ms. Evans made on the rebaseline.
12 Basically what rebaselining is is you start over. I mean,
13 when we track in the President's Management Agenda, that is
14 a hard bar, to OMB's credit. I mean, to have all major
15 projects within ten percent of cost, schedule, and
16 performance, used earned value techniques, that is a very
17 high bar.

18 The concern would be what some agencies do is, you
19 know, our cost is \$200 million on this. We rebaseline it.
20 We bump it up to \$300 million. So now we are within ten
21 percent. It is kind of a "get out of jail free" card, just
22 because they moved the total up that we are measuring from.
23 That is what rebaselining is all about, so it is very
24 important to look at these numbers to make sure.

25 And I am sure if we looked in detail at some of these

1 projects that aren't on the high-risk lists at DOD and other
2 places, it is probably due to rebaselining. So it is
3 something we are all aware of and we will keep our eye out
4 for.

5 Chairman Coburn. So why--do you have a rebaseline list
6 that you follow?

7 Ms. Evans. We--no. I don't maintain a rebaseline
8 list. If--

9 Chairman Coburn. Should we? I mean, that is really
10 gaming the system.

11 Ms. Evans. Well, we can. I mean, you can, and what we
12 do--some of the agencies--the term relentless has been
13 associated with my name--

14 [Laughter.]

15 Chairman Coburn. I like that.

16 Ms. Evans. --that I have been pretty stringent about
17 what you can and what you can't do on some of these major
18 investments. But we do recognize that at a certain point,
19 you have to be able to produce an audit trail so that GAO
20 can track the history. But at a certain point, you do have
21 to, like, start to ensure that they actually do have
22 management practices, because some of these projects were so
23 bad that if we kept all that information in there, they
24 would never be able to show that they actually have the
25 right progress and the right management practices in place

1 and that they are now managing that effort to ten percent of
2 cost, schedule, and performance. But that is a very
3 conscious decision and agreed-upon point between OMB and the
4 agency before we allow an agency to rebaseline.

5 Chairman Coburn. My point would be is that ought to be
6 a policy and a reporting policy inside OMB, because no
7 matter who the administration is, you want to be able to
8 track that. That ought to be something that happens all the
9 time so that we know, as a performance indicator. That is
10 just a suggestion.

11 The other question, Ms. Evans, is GAO reported their
12 examples and their report in June about the projects that
13 weren't on the high-risk list or on the watch list. The
14 ones they reported, are they now on the list?

15 Ms. Evans. Yes. Actually, we have gone back very
16 specifically and asked. I am very intimately aware of the
17 Census issue, sir.

18 Chairman Coburn. I am announcing today I am going to
19 send a letter to every agency asking every IT project that
20 they have and where they are and where they are in terms of
21 cost overrun. We are going to look at those. We are going
22 to help you.

23 Ms. Evans. Okay.

24 Chairman Coburn. We are going to expect them to
25 respond and also list by vendor so that we can look at it.

1 I am convinced that you all are trying to do the right
2 thing, and I think Senator Carper is, too, but I think we
3 need more oversight and I certainly believe that we need the
4 recommendations that we saw in the GAO report instituted as
5 best as we can, and maybe some of the new ones that Mr.
6 Powner brought forward today.

7 We have great IT companies in this country, but we
8 don't want them to get to be lazy and we want to hold them
9 accountable as well as the agencies accountable. My hope is
10 that in the next couple of months, we will single out two or
11 three projects and look at those to see why they are not
12 meeting what they need to do. We have done it on the
13 Defense Travel System. I have tried to win. I have lost on
14 that. The vendor is stronger than I am on the floor and we
15 have spent \$500 to \$600 million on something we could have
16 gotten for \$30 million, and when they redo all the computers
17 in the Pentagon, DTS isn't going to work. They are doing a
18 good job of trying to do that, but it is a half-a-billion
19 dollars of our kids' money that we have thrown out the door.

20 We can't have any more of those. We just have to do a
21 better job. I am talking about us. Senator Carper and I
22 are committed to do the oversight that is necessary and we
23 want to help you. We don't want to be your adversaries. We
24 want to be your supporters and we want to shine sunshine on
25 areas that are weaknesses and allow good ideas to filter up

1 to hold people accountable.

2 Anything further?

3 Senator Carper. Just to follow up on what the Chairman
4 said, just in terms of reaching out to all the agencies and
5 asking them to come back with the information that he has
6 mentioned, sometimes I say to my staff, help me to be a
7 guided missile as opposed to being an unguided missile. If
8 you were to give some friendly advice and constructive
9 advice as to how we might craft the kind of inquiry used
10 just to describe it, do you have any thoughts now as to how
11 it would be most constructive and most helpful to the work
12 that you are trying to do, that would be welcome. If you
13 don't have anything right off the bat to share with us,
14 maybe you could within the next 24 or 48 hours. That would
15 be, I think, helpful to us.

16 Ms. Evans. Okay.

17 Chairman Coburn. Thank you all. Thank you all very
18 much for your testimony and your cooperative nature. We
19 look forward to working--

20 Senator Carper. Mr. Chairman, could I interrupt just
21 one quick minute?

22 Chairman Coburn. Yes, sure.

23 Senator Carper. Ms. Evans indicated that one of the
24 adjectives that she used to describe her is relentless, and
25 I heard you talking about the Department of Defense Travel

1 System and how you were outmanned on the floor. One of the
2 adjectives that is used to describe the Chairman, and I hope
3 me, is relentless, as well, and this is a good one to be
4 relentless on. Thank you.

5 Chairman Coburn. Thank you all for being here. Thanks
6 for your effort, and thank you for the service to our
7 country.

8 Ms. Evans. Thank you.

9 Chairman Coburn. The hearing is adjourned.

10 [Whereupon, at 10:50 a.m., the Subcommittee was
11 adjourned.]